



U.S. Department of Justice

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Eastern District of New York*

AAS
F. #2009R02380

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July 1, 2016

BY ECF

The Honorable Ann M. Donnelly
United States District Judge
United States District Court
Eastern District of New York
225 Cadman Plaza East
Brooklyn, New York 11201

Re: United States v. HSBC Bank USA, N.A. and HSBC Holdings PLC
Criminal Docket No. 12-763 (AMD)

Dear Judge Donnelly:

Pursuant to the Court's July 1, 2013 order directing the government to file quarterly reports regarding the implementation of the deferred prosecution agreement ("DPA") in the above-captioned matter, the government submits this status report.

Over the past three months, the Monitor has continued to work to ensure HSBC's compliance with the recommendations set forth in the Monitor's January 2014 anti-money laundering and sanctions compliance review. In his second annual follow-up report, the Monitor identified additional areas of weakness and made a number of supplemental recommendations designed to enhance HSBC's compliance programs. HSBC has agreed to adopt the recommendations, and the Monitor and HSBC have agreed on deadlines for the implementation of these recommendations. Additionally, through his country-level reviews, the Monitor identified potential anti-money laundering issues that the government and HSBC are reviewing further.

The Monitor has also begun work on the third annual follow-up review. The Monitor intends to satisfy his duties in connection with this review through monitoring that will consist of four inter-related components: (1) conducting reviews of eleven separate country operations within HSBC Group; (2) conducting thematic reviews of HSBC's anti-money laundering and sanctions compliance program within certain business lines, including trade finance, global private banking, and correspondent banking; (3) assessing HSBC Group-level enhancements to the bank's anti-money laundering and sanctions compliance program; and

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(4) assessing any of HSBC Group's compliance program remediation efforts that are not addressed through other monitoring activities.

As both the government and the Monitor have previously noted, HSBC Group continues to make progress in its efforts to implement global anti-money laundering standards based on the highest or most effective standards in any location where it operates. While significant work remains, the government has not uncovered any evidence suggesting that HSBC lacks full commitment to meeting these stringent requirements. Additionally, the government is continually assessing the speed with which HSBC endeavors to reach a global anti-money laundering standard across the entire bank.

The government is unaware of any issues that require the Court's intervention at this time.

Respectfully submitted,

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cc: All Counsel of Record (via ECF)